

Memo: 18 August 2008

TO: Participating Lenders

From: Nancy Leifer, Homeownership Program Manager

RE: 2008 Regular Bond Program

The 2008 MBOH Regular Bond Program is up and running with \$30 million of funds at 6.25% as of August 18, 2008! Until August of 2008, the 30-year mortgage bond market was priced too high to allow MBOH to issue bonds at mortgage interest rate that would be at or below the market rate.

The subprime lending crisis changed MBOH's risk factors in many ways that increased MBOH's costs and asset requirements. We've determined that the best option for the Board going forward is the Fannie Mae mortgage backed security program which requires loans to be sold to one Master Servicer. MBOH worked with lenders over the past year to design a mortgage-backed security program responsive to lenders' concerns. All FHA, VA, HUD 184, and some Rural Development Guaranteed loans will continue to be purchased by MBOH and serviced as they are now. All pmi, Deep Equity, and some RD loans going forward will be sold to US Bank and put into Mortgage-Backed Securities (MBS).

The "Terms and Conditions" for these two categories of bond loan programs have been posted on our Website: Whole loans (wherein loans are sold to MBOH) and MBS loans (wherein loans are sold to US Bank as Master Servicer). Set-aside loans will continue to be done as Whole Loans.

Participation in the 2008 Homeownership Bond Program will require that your contact person for MBOH complete and return the one-page "Mortgage Program Application" sent out on August 7 with the Invitation to Participate. Lenders will be unable to reserve and sell loans to MBOH until this Application has been completed, received, reviewed and approved by MBOH. Please call Nancy Leifer, at 841-2849, or Charlie Brown at 841-2950, if you have any questions.